

BEFORE THE ARKANSAS INSURANCE DEPARTMENT

**IN THE MATTER OF
STEVEN COTRONEO**

2018 - 023

CONSENT ORDER

The Arkansas Insurance Department ("AID") and Steven A. Cotroneo ("Respondent") acknowledge the existence of a controversy regarding Respondent's compliance with AID statutes and rules. Now the AID and Respondent willingly enter into a Consent Order to resolve the pending controversy.

Whereas, Respondent hereby represents and agrees:

- A. Respondent, having read the proposed Consent Order, acknowledges that he has the right to consult with counsel and now enters into this Consent Order on his own volition and without any reliance upon any representations by AID or any officer, employee, agent or other representative thereof, other than as expressly set forth herein.
- B. Respondent hereby waives any further procedural steps including, without limitation, the right to a hearing and all rights to seek judicial review or to otherwise challenge or contest the validity of this Consent Order.
- C. Respondent understands and agrees that approval and entry of this Consent Order shall not preclude additional proceedings by the AID against Respondent for acts or omissions not specifically addressed herein.
- D. Respondent understands and acknowledges that this Consent Order and the AID's records concerning this matter are public records and available to the public pursuant to the Freedom of Information Act, Ark. Code Ann. § 25-19-101, *et seq.*
- E. This agreement shall not become a valid and enforceable order of this AID unless and until accepted and approved by the AID and executed by the Insurance Commissioner.

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the parties and subject matter pursuant to Ark. Code Ann. § 23-61-103.
2. Respondent held Resident Insurance Producer License #45419 until it was revoked, as described herein.
3. Respondent was an insurance agent for Mr. and Ms. Don LeMay and advised them on financial insurance products.
4. When Mr. LeMay retired, Respondent facilitated the movement of the LeMay's existing annuities, which had little or no surrender charges and were within a couple of years of maturity, to new annuities bearing significantly greater surrender charges and with many years to maturity.
5. Mr. LeMay was diagnosed with frontal temporal dementia in 2009. He suffered from seizures, confusion and hallucinations and passed away in December 2011.
Respondent knew of Mr. LeMay's diagnosis and condition.
6. On April 7, 2010, Respondent entered into a partnership agreement with Mr. LeMay. The purpose of the partnership, called LECO, was to buy and refurbish houses and then rent or sell them. The LECO partnership agreement required each party to bear the profits and losses equally, with one-half going to Respondent and one-half to Mr. LeMay.
7. The LeMays contributed cash proceeds to LECO from a home equity line of credit. The LeMays also withdrew money from several annuities that Respondent had placed them into and that were subject to significant surrender penalties.
8. Respondent established financial accounts in LECO's name, including a credit card.

9. Respondent was having serious financial difficulties. He used LECO funds for his personal use on such things as shoes; shopping trips to Dillard's and Old Navy; and on items for personal use while on trips to Florida, Alabama and Mississippi. Respondent alleged that Mr. LeMay gave him permission to do so, but there is nothing in writing confirming this. Mrs. LeMay says she did not give such permission and doubts her husband did. The partnership agreement does not authorize partnership funds to be used for the personal benefit of either partner.
10. Respondent's son lived rent-free in the Northwest Arkansas house owned by LECO. His son's girlfriend also lived there and paid rent to Respondent personally instead of to LECO.
11. Respondent failed to file or pay federal and state income taxes for several years.
12. After a hearing, then-Insurance Commissioner Jay Bradford signed AID Revocation Order #2015-002, which revoked Respondent's Resident Insurance Producer License. AID Revocation Order #2015-002 also ordered Respondent to pay \$34,661.55 in restitution to Mrs. LeMay, the surviving spouse of Mr. LeMay, based on the Hearing Officer's calculation.

CONCLUSIONS OF LAW

11. For the actions described in Findings of Fact 2 –11 herein, Appellant violated Ark. Code Ann. § 23-64-512(a)(8) and (a)(15).

ORDER

THE PARTIES AGREE TO THE FOLLOWING:

1. Respondent shall pay restitution in the amount of \$158.00 per month for 24 months, for a total payment of \$3,792.00. Each payment of \$158.00 is due to AID no later than the twenty-seventh (27th) day of each month, with the first payment being due no later than


February 27, 2018. If the twenty-seventh day of the month falls on a weekend or state holiday, the payment will be due no later than the next business day. The check or money order is to be made payable to "Deborah LeMay". Mail or deliver to the Arkansas Insurance Department (Attn: Legal Division) at 1200 West Third Street, Little Rock, AR 72201.

2. If Respondent misses two payments in a row, the full restitution amount of \$34,073.91 will become due and payable, minus any payments already made.
3. Respondent must pay the full settlement amount, or the full restitution amount as described in paragraph 2, whichever is applicable, before he applies for a new license. Respondent understands that, if and when he applies for a new license, AID might not approve his application.
4. The AID shall retain jurisdiction of this matter for purposes of implementing and enforcing this Consent Order. Additionally, any unpaid amounts due and payable under this order are subject to judgment and order of garnishment pursuant to §23-61-110(b).

IT IS SO ORDERED.

2-13-18
Date

2/12/2018
Date


Allen Kerr, Arkansas Insurance
Commissioner


Steven A. Cotroneo, Respondent